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SUBJECT: MFA: CHINA AND U.S. BOTH "GOOD INFLUENCES" FOR
MONGOLIA

Classified By: Political Section Regional Affairs Unit Chief Mark Tesone for Reasons 1.4 (b/d).

Summary

1. (C) In the wake of Mongolian President Nambaryn Enkhbayar's October visit to the United States and signing of the USD 285 million Millennium Challenge Account aid package, Chinese and Mongolian officials underscored the "special" nature of Sino-Mongolian relations, but differed on China's views of U.S. influence in Mongolia. China does not object to U.S.-Mongolian ties if the United States helps develop Mongolia because stability in its northern neighbor is an advantage for China, our MFA contact said. Both China and United States have an "opportunity to cooperate in Mongolia" and we can be "good influences," he stated. However, our Mongolian Embassy contact was dubious, stating China "worries" about the United States and other countries developing closer relations with Mongolia. Both interlocutors underscored the closeness of the Sino-Mongolian relationship, especially in the realms of economic ties and person-to-person contacts. END SUMMARY.

Bilateral Issues and the Third Neighbor Policy

2. (C) Both Mongolian Embassy Minister Counselor Buyanbadrakh and MFA Asian Affairs Department Third Secretary Zhang Yishi acknowledged Mongolia's "strategic" importance. Yang Jiechi's first trip abroad as Minister of Foreign Affairs was to Mongolia, Zhang said on October 27, and that country was "pleased with this attention." FM Yang's choice of Mongolia as his first destination was not simply because it is "close by," said Buyanbadrakh on October 31. Zhang stated that Sino-Mongolian relations are the "best they have been in history," and Buyanbadrakh concurred, telling Poloff separately that there are "no obstacles in the relationship." China does complain when the Dalai Lama visits Mongolia, but he has visited often and it has not posed a major problem, he said.

3. (C) Zhang said China respects Mongolia's "third neighbor" policy, in which Mongolia looks to develop relations with the United States, Japan and other Western countries. Mongolia is a "democratic country" and its system transformed very quickly, he observed. If the country to our north is prosperous and stable, it is to China's advantage, said Zhang. China does not object to U.S.-Mongolian ties if the United States aids Mongolian development. There is an "opportunity" for China and the United States to "cooperate" there, he continued. "We both know" that China and the United States hope to have good relations with Mongolia and we will both be "good influences" if we develop these relationships. China hopes the recent Millennium Challenge grant can help Mongolia, Zhang said. He asked for more details on what President Nambaryn Enkhbayar's "very large" Mongolian delegation of over 100 members did while in the

United States. Drawing from Department press guidance, Poloff provided him with some information on the agreements inked.

14. (C) Mongolian Minister Counselor Buyanbadrakh was dubious, stating China "worries" about the United States and other countries developing closer relations with Mongolia. Japan's aid to Mongolia actually exceeds China's, he said. These other nations understand Mongolia's "geographic importance." While Buyanbadrakh said the Chinese Government has not officially expressed concern about Western influence in Mongolia, he cited Chinese articles which did so.

Economic and Trade Ties, Person-to-Person Contacts

15. (C) MFA's Zhang was quick to highlight the close trade and economic relationship in the "good neighborly" Sino-Mongolian "partnership." China has been Mongolia's largest trading partner for eight years and its biggest foreign investor for nine years, he said. These economic ties are "natural," as Mongolia is resource rich and China seeks to further its own development. Furthermore, it is a good market for Chinese products, stated Zhang. In 2006, trade was twice as large as the previous year. Being landlocked, Mongolia does have "unique geography," but the trade ties are not based on transport alone, according to Zhang. Minister Counselor Buyanbadrakh noted Chinese investment in Mongolia, but said that many Chinese companies repairing homes and roads in Mongolia use PRC laborers rather than locals. These policies have been especially unpopular among Mongolia's youth. Overall, Chinese policies are "correct," Buyanbadrakh said.

16. (C) Buyanbadrakh stated that the two countries do enjoy a

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"special relationship." Zhang cited the importance of cultural and person-to-person exchanges, noting that one in every four Mongolians has visited China. Buyanbadrakh pointed out that China had "good feelings" toward Mongolia even before the two countries normalized relations. The cultural and folk "foundation" between Mongolians on either side of the border is the same, he underscored, and there is "mutual trust."

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